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FISCAL IMPACT STATEMENT

LS 6489

BILL NUMBER: SB 162

NOTE PREPARED: Mar 21, 2013

BILL AMENDED: Jan 24, 2013

SUBJECT: Economic Development Incentives and Reports.

FIRST AUTHOR: Sen. Delph

FIRST SPONSOR: Rep. Burton

BILL STATUS: CR Adopted - 2nd House

FUNDS AFFECTED: X **GENERAL**
DEDICATED
FEDERAL

IMPACT: State

Summary of Legislation: (Amended) This bill provides that an incentive agreement between the Indiana Economic Development Corporation (IEDC) and an incentive recipient is available for inspection after the date the agreement is executed, regardless of whether negotiations may be in progress with that recipient. This bill provides that an incentive recipient must provide information about its financial investment if a financial investment was a condition for an incentive.

This bill makes several modifications to the IEDC's annual compliance report:

- It changes the timing of the report from a state fiscal year to a calendar year.
- It specifies that the report includes cumulative information on active recipients beginning from 2005 instead of 2007.
- It requires the IEDC to include aggregate information on: (1) performance goals, (2) actual jobs created, (3) number of expected jobs, (4) recaptured incentives, (5) total number of recipients, and (6) tax credits claimed for the reporting period.
- It requires that an independent auditing firm be chosen to review the number of actual jobs created and number of jobs expected.
- It specifies the county or municipality of the recipient, instead of the recipient's address, be included in the report.
- It requires the compliance report to include a certification by the IEDC that each recipient is complying with the terms of the incentive agreement. (Current law requires a certification of whether each recipient is meeting the program requirements and representations made in the recipient's application concerning the wages and compensation provided to employees, other benefits to be provided to

employees, and the extent to which the recipient has complied with the representations.)
The bill also adds cross-references to recently enacted tax credits and repeals a duplicate statute concerning the requirement that the IEDC disclose the terms of a final incentive offer.

Effective Date: July 1, 2013.

Explanation of State Expenditures: *Summary-* (Revised) *Department of State Revenue (DOR):* The DOR is required to provide the appropriate tax credit data to the IEDC for inclusion in their annual compliance report. The DOR's current level of resources and staff should be sufficient to comply with the provisions within the bill.

(Revised) *Indiana Economic Development Corporation:* This bill will increase the administrative expenses of the IEDC. They will be required to modify applications, evaluation criteria, and the annual Economic Incentives and Compliance Report. The IEDC's current level of resources and staff should be sufficient to comply with the provisions within the bill.

(Revised) *Additional Information -* The bill clarifies when an incentive agreement is available for inspection under the Public Records Laws. The bill states that an agreement is available for inspection after it is executed, regardless of whether negotiations are still ongoing. The IEDC may incur additional expenses to respond to a greater number of information requests.

The bill requires the IEDC to modify their annual compliance report. Currently, the report is required to contain incentives from 2007 forward. This bill expands the reporting period to 2005 forward. The bill requires the report to contain new metrics, and an independent auditing firm is required to validate the aggregate employment data. It also changes the report's timing from a state fiscal year to a calendar year. These changes are effective for reports published after December 31, 2013. The first new report is due before February 1, 2014.

The IEDC currently evaluates incentive recipients to insure they are not violating the hiring conditions established in their incentive agreement. This bill expands the scope of the compliance evaluation to include all the terms of the incentive agreement, not just hiring and wages.

Explanation of State Revenues:

Explanation of Local Expenditures:

Explanation of Local Revenues:

State Agencies Affected: Indiana Economic Development Corporation; Department of State Revenue.

Local Agencies Affected:

Information Sources:

Fiscal Analyst: Heath Holloway, 232-9867.

